

CITY OF AUDUBON

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2013

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City of Audubon

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Clark Kauffman	Mayor	January 2016
Delyte Borkowski	Council Member	January 2014
Andy Griffith	Council Member	January 2014
Teresa Murray	Council Member	January 2014
Robert Jacobsen	Council Member	January 2016
John Whetzel	Council Member	January 2016
Lora Hansen	City Clerk	Indefinite
Lance Levis	Attorney	Indefinite

City of Audubon



Diane McGrain, CPA
Jim Menard, CPA

December 12, 2013

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Audubon, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Continued...

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Audubon as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Audubon's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 11 and 29 through 30 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013 on our consideration of City of Audubon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Audubon's internal control over financial reporting and compliance.

Schroer & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Audubon provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

The City's total receipts for governmental activities increased approximately \$573,000, from fiscal year 2012 to 2013. Note proceeds increased \$609,000, local option sales tax receipts increased \$26,000, other general receipts increased \$45,000, and operating grants decreased \$105,000.

Disbursements of the City's governmental activities increased approximately \$221,000 from fiscal year 2012 to 2013. Debt Service decreased \$77,000 and capital projects increased \$309,000.

The City's total cash basis net position increased approximately \$296,000 from June 30, 2012 to June 30, 2013. Of this amount, the net position of governmental activities increased approximately \$246,000 and the net position of the business type activities increased approximately \$50,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.
- Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principals. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: General Fund, Special Revenue Funds, (such as Road Use Tax and Local Option Sales Tax), Debt Service Fund and the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2. Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash basis balance for governmental activities increased from a year ago, from \$966,938 to \$1,213,449. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service	\$ 272	264
Operating grants, contributions and restricted interest	282	387
General receipts:		
Property tax	826	835
Tax increment financing	44	45
Local option sales tax	175	149
Grants and contributions not restricted to specific purposes	4	4
Unrestricted interest on investments	1	1
Note proceeds	609	-
Other general receipts	54	9
Total receipts	<u>2,267</u>	<u>1,694</u>
Disbursements:		
Public safety	364	404
Public works	777	729
Health and social services	1	1
Culture and recreation	277	273
Community and economic development	49	55
General government	120	137
Debt service	174	251
Capital projects	309	-
Total disbursements	<u>2,071</u>	<u>1,850</u>
Change in cash basis net position before transfers	196	(156)
Transfers, net	<u>50</u>	<u>50</u>
Change in cash basis net position	246	(106)
Cash basis net position beginning of year	<u>967</u>	<u>1,073</u>
Cash basis net position end of year	<u><u>1,213</u></u>	<u><u>967</u></u>

Total governmental activities receipts for the fiscal year were approximately \$ 2,267,000 compared to \$1,694,000 last year. This increase was due to the sale of bonds and an increase in local option sales tax monies.

The cost of all governmental activities this year was approximately \$ 2,071,000 compared to \$1,850,000 last year. This increase was due primarily to several projects this year for airport runway rehab, pool repairs, water plant and tower repairs.

The following table shows the changes in cash balances for business-type activities.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 235	236
Sewer	399	349
Operating grants	-	-
Other miscellaneous receipts	39	32
Total receipts	<u>673</u>	<u>617</u>
Disbursements:		
Water	208	230
Sewer	365	384
Total disbursements	<u>573</u>	<u>614</u>
Change in cash basis net position before transfers	100	3
Transfers, net	<u>(50)</u>	<u>(50)</u>
Change in cash basis net position	50	(47)
Cash basis net position beginning of year	<u>102</u>	<u>149</u>
Cash basis net position end of year	<u>152</u>	<u>102</u>

Total business type activities charges for service receipts for the fiscal year were approximately \$ 634,000 compared to \$ 585,000 last year. The cash balance increased approximately \$50,000 from the prior year. The increase was primarily due to a sewer rate increase in August 2012.

The business-type activities receipts increased by approximately \$56,000. Expenditures decreased by approximately \$41,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Audubon completed the year, its governmental funds reported a combined fund balance of \$1,365,221, an increase of \$296,171 from last year's balance of \$1,069,050. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$14,729 to \$490,448. This increase is primarily due to having all the pool maintenance paid with project funds, and not having any community purchases this year (no Christmas lights or garlands needed replaced).
- The Special Revenue, Road Use Tax Fund cash balance increased \$3,126 to (\$11,749). The increase is due to more costs being paid from local option sales tax funds.
- The Special Revenue, Employee Benefits Fund cash balance increased \$17,016 to \$54,158. The increase is due to lower and steadier insurance costs.
- The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$54,547 to \$269,066. The decrease is due to more street related costs being paid from the fund instead of from the road use tax fund.
- The Debt Service Fund increased \$6,048 to \$15,008.
- The Capital Projects Fund cash balance increased \$300,286 to \$486,448. The increase is due to the sale of bonds for various projects, but the projects are not completed yet, so all the proceeds are not spent yet.

- The Permanent Fund, Cemetery Trust cash balance increased \$5,529 to \$113,837.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased \$13,072 to \$146,958, due primarily to the water system repairs being paid from projects funds instead of water funds.

The Sewer Fund cash balance increased \$46,543 to \$4,814 due primarily to a rate increase August 2012.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved May 28, 2013 and resulted in an increase in disbursements of \$229,735. The increase was primarily for capital projects.

The City's receipts were \$122,081 more than budgeted. This was due to a raise in sewer rates and higher local option sales tax monies.

With the amendment, total disbursements were \$141,657 less than budgeted. The actual disbursements for debt service were \$76,059 less than the amended budget due to refinancing of a bond issue.

DEBT ADMINISTRATION

At June 30, 2013 the City had approximately \$3,434,000 in long term debt outstanding, compared to \$3,009,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
General obligation notes	\$ 1,880	1,260
Urban renewal tax increment financing revenue notes	70	140
Revenue notes	1,484	1,609
	<u>\$ 3,434</u>	<u>3,009</u>

The Constitution of the State of Iowa limits the general obligation debt cities can issue to 5% of the assessed value of all taxable property with the City's corporate limits. The City's outstanding general obligation and TIF debt of approximately \$1.95 million is below the constitutional debt limit of \$3.5 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities. The increase in cost for vehicle fuel, and the fluctuation of prices for gas and electric utilities, and health insurance costs causes the City's expenditures to vary widely from year to year. The change of property valuations makes tax income quite variable. The expense and receipt variables, along with local needs and wants, and the overall local economy, are all considered when setting tax rates and other fees.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact Lora Hansen, City Clerk, 410 North Park Place, Audubon, Iowa 50025.

City of Audubon
Basic Financial Statements

City of Audubon
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2013

	Program Receipts			Net (Disbursement) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Public safety	\$ 363,821	3,841	15,570	(344,410)	-	(344,410)
Public works	776,945	206,498	210,998	(359,449)	-	(359,449)
Health and social services	1,000	-	-	(1,000)	-	(1,000)
Culture and recreation	276,730	56,493	38,543	(181,694)	-	(181,694)
Community and economic development	49,155	3,977	-	(45,178)	-	(45,178)
General government	119,544	1,562	16,397	(101,585)	-	(101,585)
Debt service	174,547	-	-	(174,547)	-	(174,547)
Capital projects	309,226	-	-	(309,226)	-	(309,226)
Total governmental activities	2,070,968	272,371	281,508	(1,517,089)	-	(1,517,089)
Business type activities:						
Water	207,796	234,591	-	-	26,795	26,795
Sewer	364,987	398,870	-	-	33,883	33,883
Total business type activities	572,783	633,461	-	-	60,678	60,678
Total	\$ 2,643,751	905,832	281,508	(1,517,089)	60,678	(1,456,411)
General Receipts:						
Property tax levied for:						
General purposes				441,317	-	441,317
Employee benefits				204,563	-	204,563
Debt service				180,595	-	180,595
Tax increment financing				43,609	-	43,609
Local option sales tax				175,347	-	175,347
Grants and contributions not restricted to specific purpose				4,157	-	4,157
Unrestricted interest on investments				808	234	1,042
Miscellaneous				11,103	38,748	49,851
Sale of assets				42,951	-	42,951
Note proceeds				609,150	-	609,150
Transfers				50,000	(50,000)	-
Total general receipts and transfers				1,763,600	(11,018)	1,752,582
Change in cash basis net position				246,511	49,660	296,171
Cash basis net position beginning of year				966,938	102,112	1,069,050
Cash basis net position end of year				\$ 1,213,449	151,772	1,365,221
Cash Basis Net Position						
Restricted:						
Nonexpendable						
Cemetery perpetual care				\$ 113,837	-	113,837
Expendable						
Employee benefits				54,158	-	54,158
Street construction and repair				269,066	-	269,066
Debt service				15,008	-	15,008
Capital projects				486,448	-	486,448
Other purposes				45,600	-	45,600
Unrestricted				229,332	151,772	381,104
Total cash basis net position				\$ 1,213,449	151,772	1,365,221

See notes to financial statements.

City of Audubon
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2013

	General	Special Revenue			Debt Service	Capital Projects	Permanent		Total
		Road Use Tax	Employee Benefits	Local Option Sales Tax			Cemetery Trust	Nonmajor	
Receipts									
Property tax	\$ 397,706	-	193,331	-	170,947	-	-	-	761,984
Tax increment financing collections	-	-	-	-	-	-	-	43,609	43,609
Other city tax	43,611	-	11,232	175,347	9,648	-	-	-	239,838
Licenses and permits	1,562	-	-	-	-	-	-	-	1,562
Use of money and property	20,799	-	-	-	-	-	-	-	20,799
Intergovernmental	43,477	206,387	-	-	-	-	-	-	251,864
Charges for service	249,426	-	-	-	-	-	-	-	249,426
Special assessments	-	-	-	-	-	-	-	3,977	3,977
Miscellaneous	74,667	1,498	769	-	-	362	5,529	2,445	85,270
Total receipts	831,248	209,885	205,332	175,347	180,595	362	5,529	50,031	1,658,329
Disbursements									
Operating:									
Public safety	276,795	-	87,026	-	-	-	-	-	363,821
Public works	178,581	206,759	85,661	229,894	-	-	-	76,030	776,945
Health and social services	1,000	-	-	-	-	-	-	-	1,000
Culture and recreation	272,099	-	4,471	-	-	-	-	160	276,730
Community and economic development	29,155	-	-	-	-	-	-	20,000	49,155
General government	108,408	-	11,138	-	-	-	-	-	119,546
Debt service	-	-	-	-	174,547	-	-	-	174,547
Capital projects	-	-	-	-	-	309,226	-	-	309,226
Total disbursements	866,038	206,759	188,316	229,894	174,547	309,226	-	96,190	2,070,970
Excess (deficiency) of receipts over (under) disbursements	(34,790)	3,126	17,016	(54,547)	6,048	(308,864)	5,529	(46,159)	(412,641)
Other financing sources (uses):									
Note proceeds	-	-	-	-	-	609,150	-	-	609,150
Operating transfers in	50,000	-	-	-	-	-	-	-	50,000
Operating transfers out	(481)	-	-	-	-	-	-	-	(481)
Total other financing other financing sources (uses)	49,519	-	-	-	-	609,150	-	-	658,689
Net change in cash balances	14,729	3,126	17,016	(54,547)	6,048	300,296	5,529	(46,159)	246,028
Cash balances beginning of year	475,719	(14,875)	37,142	323,613	8,960	186,162	108,308	(157,608)	967,421
Cash balances end of year	\$ 490,448	(11,749)	54,158	269,066	15,008	486,448	113,837	(203,767)	1,213,449
Cash Basis Fund Balances									
Nonexpendable - cemetery perpetual care	\$ -	-	-	-	-	-	113,837	-	113,837
Restricted for:									
Streets	-	-	-	269,066	-	-	-	-	269,066
Employee benefits	-	-	54,158	-	-	-	-	-	54,158
Debt service	-	-	-	-	15,008	-	-	-	15,008
Capital projects	-	-	-	-	-	486,448	-	-	486,448
Other purposes	-	-	-	-	-	-	-	45,600	45,600
Assigned for park projects	142,815	-	-	-	-	-	-	-	142,815
Unrestricted	347,633	(11,749)	-	-	-	-	-	(249,367)	86,517
Total cash basis fund balances	\$ 490,448	(11,749)	54,158	269,066	15,008	486,448	113,837	(203,767)	1,213,449

See notes to financial statement

City of Audubon
 Reconciliation of the Statement of Cash
 Receipts, Disbursements and Changes in Cash Balances
 to the Cash Basis Statement of Activities and Net Position -
 Governmental Funds
 As of and for the year ended June 30, 2013

Total governmental funds cash balances	\$ 1,213,449
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Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the cost of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Net Activities and Net Position.

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Cash basis net position of governmental activities	\$ <u>1,213,449</u>
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Net change in cash balances	\$ 246,028
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Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the cost of employee health benefits to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

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Change in cash basis net position of governmental activities	\$ <u>246,511</u>
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See notes to financial statements

City of Audubon
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2013

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	Employee Health
Operating receipts:	\$			
Use of money and property	-	-	-	2
Charges for service	234,591	398,870	633,461	-
Miscellaneous	-	-	-	-
Total operating receipts	234,591	398,870	633,461	2
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	-
Public works	-	-	-	-
General government	-	-	-	-
Business type activities	207,794	191,717	399,511	-
Total operating disbursements	207,794	191,717	399,511	-
Excess (deficiency) of operating receipts over (under) operating disbursements	26,797	207,153	233,950	2
Non-operating receipts (disbursements)				
Interest on investments	42	190	232	-
Intergovernmental	-	-	-	-
Miscellaneous	32,503	6,245	38,748	-
Debt service	-	(173,270)	(173,270)	-
	32,545	(166,835)	(134,290)	-
Excess (deficiency) of receipts over (under) disbursements	59,342	40,318	99,660	2
Other financing sources (uses):				
Note proceeds	-	-	-	-
Operating transfers in	3,730	6,225	9,955	481
Operating transfers out	(50,000)	-	(50,000)	(9,955)
	(46,270)	6,225	(40,045)	(9,474)
Net change in cash balances	13,072	46,543	59,615	(9,472)
Cash balances beginning of year	133,886	(41,729)	92,157	9,472
Cash balances end of year	\$ 146,958	4,814	151,772	-
Cash Basis Fund Balances				
Unrestricted	\$ 146,958	4,814	151,772	-

See notes to financial statements

City of Audubon
 Reconciliation of the Statement of Cash Receipts, Disbursements
 and Changes in Cash Balances to the
 Cash Basis Statement of Activities and Net Position –
 Proprietary Funds
 As of and for the year ended June 30, 2013

Total enterprise funds cash balances	\$ 151,772
---	-------------------

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the cost of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

-

Cash basis net position of business type activities	\$ <u>151,772</u>
--	--------------------------

Net change in cash balances	\$ 59,615
------------------------------------	------------------

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the cost of employee health benefits to individual funds. The portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

(9,955)

Change in cash basis net position of business type activities	\$ <u>49,660</u>
--	-------------------------

See notes to financial statements

City of Audubon
Notes to Financial Statements
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies

The City of Audubon is a political subdivision of the State of Iowa located in Audubon County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Audubon has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City representatives are members of the following boards and commissions: Audubon County Assessor's Conference Board, Audubon County Emergency Management Commission, Audubon County E911 Board, Audubon County Solid Waste Management Commission and Audubon County Airport Authority.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Audubon
Notes to Financial Statements
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position result when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often have constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund accounts for the tax levy to support City employee benefits.

City of Audubon
Notes to Financial Statements
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The Local Option Sales Tax Fund is used to account for the receipts from the tax authorized by referendum and used for street construction and repairs.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of principal and interest on the City's general long term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through the Enterprise Funds.

The Permanent Fund – Cemetery Trust is used to report resources that are legally restricted to the extent that only earnings and not principal may be used for cemetery care.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City, and provided to other departments or agencies on a cost reimbursement basis. The City's use of the internal service fund is for self-funded health insurance. During the fiscal year ending June 30, 2013, the city changed health coverage plans and closed the internal service fund.

C. Measurement Focus and Basis of Accounting

The City of Audubon maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

City of Audubon
Notes to Financial Statements
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies – Continued

C. Measurement Focus and Basis of Accounting- Continued

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the community and economic development and the capital projects functions.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2011, to compute the amounts which became liens on property on July 1, 2012. These taxes were due and payable in two installments on September 30, 2012 and March 31, 2013, at the Audubon County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

City of Audubon
Notes to Financial Statements
June 30, 2013

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$1,365,221.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) No. 3, as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

City of Audubon
Notes to Financial Statements
June 30, 2013

NOTE (3) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation bonds and notes, urban renewal tax increment financing revenue bonds, and revenue notes are as follows:

Year Ended June 30,	General Obligation Bonds		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Revenue Notes	Total
	Principal		Principal		Principal	Principal
2014	\$	155,000	\$	70,000	\$ 129,000	\$ 354,000
2015		160,000		-	133,000	293,000
2016		165,000		-	138,000	303,000
2017		115,000		-	142,000	257,000
2018		120,000		-	146,000	266,000
2019-2023		620,000		-	795,000	1,416,000
2024-2027		545,000		-	-	545,000
Total	\$	<u>1,880,000</u>	\$	<u>70,000</u>	<u>\$ 1,484,000</u>	<u>\$ 3,434,000</u>

Year Ended June 30,	Interest		Interest		Interest	Interest
	Interest		Interest		Interest	Interest
2014	\$	43,261	\$	2,800	\$ 44,520	\$ 90,581
2015		37,101		-	40,650	77,751
2016		30,572		-	36,660	67,232
2017		27,487		-	32,520	60,007
2018		26,222		-	28,260	54,482
2019-2023		102,995		-	117,600	220,595
2024-2027		34,734		-	-	34,734
Total	\$	<u>302,372</u>	\$	<u>2,800</u>	<u>\$ 255,690</u>	<u>\$ 605,382</u>

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$3,477,000 which was not exceeded during the year ended June 30, 2013.

General Obligation Refunding Notes

On October 10, 2012, the City issued \$965,000 of general obligation refunding notes with interest rates ranging from 0.75% to 2.05% per annum. These refunding notes were placed in escrow to refund \$830,000 of general obligation notes issued September 11, 2008, on June 1, 2015. The escrow balance and refunded debt outstanding are not reflected in the City's financial statements. The City obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$38,000.

City of Audubon
Notes to Financial Statements
June 30, 2013

NOTE (3) Bonds and Notes Payable - Continued

Urban Renewal Tax Increment Financing Revenue Bonds

The City issued \$620,000 of urban renewal tax increment financing revenue bonds in January 2004 for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for the purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$72,800, payable through June 2014. For the current year, principal and interest paid and total TIF receipts were \$75,530 and \$47,885, respectively.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,066,000 in sewer revenue notes issued in September 2002, and \$600,000 in sewer revenue notes issued in December 2003. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2023. Annual principal and interest payments on the notes were more than 80 percent of the net receipts. The total principal and interest remaining to be paid on the notes is \$1,739,690. For the current year, principal and interest paid and total customer net receipts were \$173,270 and \$207,153, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the sewer enterprise activity, and the note holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to the sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.

The resolution providing for the issuance of the \$600,000 revenue note includes the additional provision:

- c) Additional monthly transfers of 25% of the amount required to be deposited in the sewer sinking account shall be made to the sewer reserve account until a specific minimum balance has been accumulated. The account is reserved for payment of principal and interest should the sinking account have insufficient money available.

The City's net sewer receipts were sufficient to service operations and debt service requirements.

City of Audubon
Notes to Financial Statements
June 30, 2013

NOTE (4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011, were \$42,796, \$40,119, and \$35,340, respectively, equal to the required contributions for each year.

NOTE (5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2013, primarily relating to the General and Enterprise Funds, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$16,000

The liability has been computed based on rates of pay as of June 30, 2013.

NOTE (6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Enterprise: Water	\$ 50,000
Enterprise: Water	Internal Service Fund: Employee Health	3,730
Enterprise: Sewer	Internal Service Fund: Employee Health	6,225
Internal Service Fund: Employee Health	General	481
		<u>\$ 60,436</u>

City of Audubon
Notes to Financial Statements
June 30, 2013

NOTE (6) Interfund Transfers – Continued

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

NOTE (7) Commitments

Cemetery Contracts – The City has contracted for the upkeep of one cemetery through March 2015, for an annual cost of \$10,089, and mowing of another cemetery through March 2015, for an annual cost of \$15,796.

City Mowing Contract – The City has contracted for the upkeep of City grounds through February 2015, for an annual cost of \$12,174.

Water and Wastewater Operation Contract – The City has contracted for operations of the waterworks and wastewater treatment facilities through December 31, 2017 for an approximate annual cost of \$137,000, to be adjusted each April for inflation.

Solid Waste and Recyclables Hauling Contract – The City has contracted for solid waste and recyclable pickup within the City for a monthly cost of \$8,700 through December 2013.

NOTE (8) Risk Management

The City of Audubon is exposed to various risks of loss related to torts: theft, damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liabilities for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE (9) Deficit Fund Balance

At June 30, 2013, the City had the following deficit balances:

Special Revenue Fund:	
Road Use Tax	\$ 11,749
Urban Renewal Tax Increment	<u>249,367</u>
	\$ <u>261,116</u>

The Road Use Tax Fund deficit will be eliminated with road use tax collections.

The Urban Renewal Tax Increment Fund deficit will be eliminated with the receipts from tax increment financing collections.

City of Audubon
Notes to Financial Statements
June 30, 2013

NOTE (10) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 9 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with United Healthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$754 for single coverage and \$1,631 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, there were no plan members eligible for benefits.

NOTE (11) Construction Commitments

As of June 30, 2013, the City has a balance of \$184,120 remaining on contracts for a water improvement project.

NOTE (12) Subsequent Events

In July 2013, the City approved the refinancing of \$2,066,000 Sewer Revenue Notes, Series 2002.

In August 2013, the City approved the issuance of a Fire Truck loan agreement for \$158,000 and will levy taxes to pay for the note.

Other Information

City of Audubon
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
					Original	Final	
Receipts							
Property tax	\$ 761,984	-	-	761,984	744,051	744,051	17,933
Tax increment financing collections	43,609	-	-	43,609	94,000	48,300	(4,691)
Other city tax	239,838	-	-	239,838	183,883	193,883	45,955
Licenses and permits	1,562	-	-	1,562	8,200	4,900	(3,238)
Use of money and property	20,799	234	2	21,031	4,000	20,250	781
Intergovernmental	251,864	-	-	251,864	274,000	267,000	(15,136)
Charges for service	249,426	633,461	-	882,887	843,900	832,040	50,847
Special assessments	3,977	-	-	3,977	-	4,000	(23)
Miscellaneous	85,270	38,748	-	124,018	118,197	94,365	29,653
Total receipts	1,658,329	672,443	2	2,330,770	2,270,231	2,208,689	122,081
Disbursements							
Public safety	363,821	-	-	363,821	364,480	375,480	11,659
Public works	776,945	-	-	776,945	813,654	796,264	19,319
Health and social services	1,000	-	-	1,000	1,000	1,000	-
Culture and recreation	276,730	-	-	276,730	298,255	317,410	40,680
Community and economic development	49,155	-	-	49,155	29,155	29,155	(20,000)
General government	119,546	-	-	119,546	136,250	136,950	17,404
Debt service	174,547	-	-	174,547	252,736	250,606	76,059
Capital projects	309,226	-	-	309,226	-	262,500	(46,726)
Business type activities	-	572,781	-	572,781	660,133	616,043	43,262
Total disbursements	2,070,970	572,781	-	2,643,751	2,555,673	2,785,408	141,657
Excess (deficiency) of receipts over (under) disbursements	(412,641)	99,662	2	(312,981)	(285,442)	(576,719)	263,738
Other financing sources, net:	658,669	(49,519)	(9,474)	618,624	-	606,800	11,824
Excess of receipts and other financing sources over disbursements and other financing uses	246,028	50,143	(9,472)	305,643	(285,442)	30,081	275,562
Balances beginning of year	967,421	101,629	9,472	1,059,578	1,004,827	1,044,827	14,751
Balances end of year	\$ 1,213,449	151,772	-	1,365,221	719,385	1,074,908	290,313

See accompanying independent auditors' report

City of Audubon
Notes to Other Information – Budgetary Reporting
June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$61,542 and budget disbursements by \$229,735. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amended budgeted amounts in the community and economic development and capital projects functions.

Supplementary Information

City of Audubon
 Schedule of Cash Receipts, Disbursements, and Changes in
 Cash Balances - Nonmajor Governmental Funds
 Year ended June 30, 2013

	Special Revenue		
	Urban		
	Renewal Tax	Cemetery	
	Increment	Trust	Total
Receipts			
Tax increment financing collections	\$ 43,609	-	43,609
Other city tax	-	-	-
Use of money and property	-	-	-
Intergovernmental	-	-	-
Special assessments	3,977	-	3,977
Miscellaneous	299	2,146	2,445
Total receipts	47,885	2,146	50,031
Disbursements:			
Public works	76,030	-	76,030
Culture and recreation	-	160	160
Community and economic development	20,000	-	20,000
Total disbursements	96,030	160	96,190
Net change in cash balances	(48,145)	1,986	(46,159)
Cash balances beginning of year	(201,222)	43,614	(157,608)
Cash balances end of year	<u>\$ (249,367)</u>	<u>45,600</u>	<u>(203,767)</u>
Cash Basis Fund Balances			
Restricted for:			
Cemetery	\$ -	45,600	45,600
Unrestricted	(249,367)	-	(249,367)
Total cash basis fund balances	\$ (249,367)	45,600	(203,767)

See accompanying independent auditors' report

City of Audubon
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds and notes:									
Equipment	Sept 26, 2007	4.20-4.30%	\$ 350,000	190,000	-	45,000	145,000	8,033	-
Streetscape	Sept 11, 2008	4.88%	1,320,000	1,070,000	-	905,000	165,000	11,700	-
Capital Loan Notes	Oct 10, 2012	2.20-2.55%	620,000	-	620,000	-	620,000	9,684	-
Refunding Notes	Oct 10, 2012	0.75-2.05%	965,000	-	965,000	15,000	950,000	9,030	-
				<u>1,260,000</u>	<u>1,585,000</u>	<u>965,000</u>	<u>1,880,000</u>	<u>38,447</u>	<u>-</u>
Urban renewal tax increment financing (TIF) revenue bonds									
	Jan 1, 2004	4.00%	\$ 620,000	<u>140,000</u>	<u>-</u>	<u>70,000</u>	<u>70,000</u>	<u>5,530</u>	<u>-</u>
Revenue notes:									
Sewer	Sep 15, 2002	3.00%	\$ 2,086,000	1,284,000	-	100,000	1,184,000	38,520	-
Sewer	Dec 12, 2003	3.00%	600,000	<u>325,000</u>	<u>-</u>	<u>25,000</u>	<u>300,000</u>	<u>9,750</u>	<u>-</u>
Total				<u>1,609,000</u>	<u>-</u>	<u>125,000</u>	<u>1,484,000</u>	<u>48,270</u>	<u>-</u>

See accompanying independent auditors' report

City of Audubon
Bond and Note Maturities
June 30, 2013

Year Ending June 30,	General Obligation Bonds and Notes								
	Equipment		Streetscape		Capital Loan Notes		Refunding Notes		
	Issued Sept 26, 2007		Issued Sept 11, 2008		Issued Oct 10, 2012		Issued Oct 10, 2012		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2014	4.20%	\$ 45,000	4.88%	\$ 80,000	2.20%	\$ 10,000	0.75%	\$ 20,000	\$ 155,000
2015	4.25%	50,000	4.88%	85,000	2.20%	5,000	0.75%	20,000	160,000
2016	4.30%	50,000	-	-	2.20%	5,000	0.75%	110,000	165,000
2017	-	-	-	-	2.20%	5,000	1.05%	110,000	115,000
2018	-	-	-	-	2.20%	10,000	1.25%	110,000	120,000
2019	-	-	-	-	2.20%	10,000	1.45%	110,000	120,000
2020	-	-	-	-	2.20%	5,000	1.60%	115,000	120,000
2021	-	-	-	-	2.20%	10,000	1.80%	115,000	125,000
2022	-	-	-	-	2.20%	5,000	1.95%	120,000	125,000
2023	-	-	-	-	2.20%	10,000	2.05%	120,000	130,000
2024	-	-	-	-	2.20%	130,000	-	-	130,000
2025	-	-	-	-	2.55%	135,000	-	-	135,000
2026	-	-	-	-	2.55%	140,000	-	-	140,000
2027	-	-	-	-	2.55%	140,000	-	-	140,000
		\$ 145,000		\$ 165,000		\$ 620,000		\$ 950,000	\$ 1,880,000

Year Ending June 30,	Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Revenue Notes				
	Issued Jun 1, 2004		Sewer Issued Oct 15, 1999		Sewer Issued Feb 28, 2003		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2014	4.00%	\$ 70,000	3.00%	\$ 26,000	3.00%	\$ 103,000	\$ 129,000
2015	-	-	3.00%	27,000	3.00%	106,000	133,000
2016	-	-	3.00%	28,000	3.00%	110,000	138,000
2017	-	-	3.00%	29,000	3.00%	113,000	142,000
2018	-	-	3.00%	30,000	3.00%	116,000	146,000
2019	-	-	3.00%	30,000	3.00%	120,000	150,000
2020	-	-	3.00%	31,000	3.00%	123,000	154,000
2021	-	-	3.00%	32,000	3.00%	127,000	159,000
2022	-	-	3.00%	33,000	3.00%	131,000	164,000
2023	-	-	3.00%	34,000	3.00%	135,000	169,000
2024	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-
		<u>\$ 70,000</u>		<u>\$ 300,000</u>		<u>\$ 1,184,000</u>	<u>\$ 1,484,000</u>

See accompanying independent auditors' report

Schedule 4

City of Audubon
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Nine Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005
Receipts									
Property tax	\$ 761,984	769,268	826,772	697,584	591,287	502,392	450,807	567,388	533,115
Tax increment financing collections	43,609	44,681	46,293	128,054	31,636	84,848	144,011	33,901	150,445
Other city tax	239,838	213,956	230,636	213,365	219,178	204,702	175,273	180,157	224,224
Licenses and permits	1,562	2,649	2,157	793	466	508	1,583	3,307	2,203
Use of money and property	20,799	19,717	20,832	27,359	38,248	84,618	58,501	47,753	20,597
Intergovernmental	251,864	293,306	542,684	447,545	562,377	600,094	254,803	247,524	265,004
Charges for service	249,426	244,848	243,148	229,816	209,538	196,688	202,272	198,176	196,781
Special assessments	3,977	4,645	942	6,007	4,260	20,706	31,377	12,686	11,118
Miscellaneous	85,270	100,421	55,676	95,015	106,178	120,924	165,709	93,564	247,728
Total	\$ 1,658,329	1,693,491	1,969,140	1,845,538	1,763,168	1,815,480	1,484,336	1,384,456	1,651,215
Disbursements									
Operating:									
Public safety	\$ 363,821	403,733	350,822	340,427	345,091	487,808	350,862	296,651	343,759
Public works	776,945	729,120	693,929	859,937	1,031,742	913,310	606,413	553,816	579,262
Health and social services	1,000	1,000	-	-	-	1,000	1,000	1,000	1,000
Culture and recreation	276,730	273,275	247,277	240,922	260,750	265,913	264,595	326,173	289,370
Community and economic development	49,155	55,436	51,097	43,488	33,881	166,893	159,517	41,794	32,098
General government	119,546	137,824	302,957	83,128	87,854	89,177	137,370	86,480	108,560
Debt service	174,547	250,565	253,030	255,225	240,332	114,576	23,635	204,845	207,450
Capital projects	309,226	-	-	7,656	361,926	1,107,220	-	-	65,281
Total	\$ 2,070,970	1,850,953	1,899,112	1,830,783	2,361,576	3,145,897	1,543,392	1,510,759	1,626,780

See accompanying independent auditors' report

City of Audubon

December 12, 2013

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Audubon, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 12, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Audubon's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Audubon's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Audubon's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Audubon's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

Continued...

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Audubon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Audubon's Responses to Findings

City of Audubon's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Audubon's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Audubon during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schroer & Associates, P.C.

City of Audubon
Schedule of Findings
Year Ended June 30, 2013

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-13 Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The same person does the utility billing, cash receipts listing, bank deposits and posting of cash receipts to utility accounts. Controls over cash receipts at the swimming pool are minimal.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this. Utility customers pay mostly by check and will question if a payment is not correctly posted to their account.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Audubon
Schedule of Findings
Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting:

II-A-13 Certified Budget

Comment - Disbursements during the year ended June 30, 2013, exceeded the amended budgeted amounts in the community and economic development and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

II-B-13 Entertainment Expense

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-13 Business Transactions

No business transactions were noted between the City and City officials or employees.

II-E-13 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-13 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-13 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

City of Audubon
Schedule of Findings
Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting Continued:

II-H-13 Revenue Note

No instances of non-compliance with the revenue bond resolution were noted.

II-I-13 Financial Condition

Comment – At June 30, 2013, the City has the following deficit fund balances:

Special Revenue Fund:	
Road Use	11,749
Urban Renewal Tax Increment	<u>249,367</u>
	\$ <u>261,116</u>

Recommendation – The City should monitor the activity in these funds in order to eliminate the deficits.

Response – We will eliminate the deficits with road use tax and tax increment financing collections.

Conclusion – Response accepted.

II-J-13 Excess Balances

Comment – The balances in the Special Revenue Fund, Local Option Sales Tax Account and the Enterprise Fund, Sewer Account at June 30, 2013, were in excess of the accounts' disbursements for the year.

Recommendation – The City should consider the necessity of maintaining these substantial balances, and where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response – We plan to utilize the funds in the Local Option Sales Tax Accounts for street related expenses.

Conclusion – Response accepted.

II-K-13 City Code

Comment – In accordance with Chapter 380.8(2) of the Code of Iowa, at least once every five years, a City shall compile a City Code containing all of the city ordinances in effect except trade, bond, zoning ordinances, and ordinances vacating streets and alleys. The City has not re-codified its City Ordinances in more than five years.

Recommendation – The City should re-codify City Ordinances.

Response – We will do this.

Conclusion – Response accepted.

City of Audubon
Schedule of Findings
Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting Continued:

II-L-13 Urban Renewal Annual Report

The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1. No discrepancies were noted.